STATE OF CALIFORNIA
DEPARTMENT OF INSURANCE

REGULATIONS PERTAINING TO PREMIUM RATES FOR CREDIT LIFE AND DISABILITY INSURANCE

FILE NO. RH-389

TITLE 10, CALIFORNIA CODE OF REGULATIONS, CHAPTER 5, SUBCHAPTER 2, ARTICLE 6.8

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Note: Authority: Sections 779.21 and 779.36, Insurance Code. Reference: Section 779.36, Insurance Code.

§2248.31. Definitions.

All words or phrases not defined in this Section shall have the same meaning in these regulations as they have in Article 5.9 of Chapter 1 of Part 2 of Division 1 of the Insurance Code, starting with § 779.1. As used in this Article:

(a) "Actuarially equivalent" means having a pattern of rates and benefits or of premium refunds and remaining coverage which can be demonstrated to be equivalent to another pattern of rates and benefits or of premium refunds and remaining coverage by the application of contingency, interest and discount factors or otherwise.

(b) "Class A Decreasing Life" provides a life insurance benefit which decreases in accordance with the scheduled decline in Closed End debt principal except that it covers any delinquent payments, pursuant to Financial Code §§ 18291and 22314(e). This coverage is provided by standard policy forms ID numbers 6 through 9 in Article 6.9 of this Subchapter.

(c) A "Closed End" plan of indebtedness provides for repayment, in substantially equal payments, of a principal amount for a term and at an interest rate, all of which are fixed at the commencement of the term of the debt.

(d) "Credit Card" is an Open End plan of indebtedness based upon the use of a "credit card", as defined in Civil Code § 1747.02(a).

(e) "Credit Union Open End" is an open end plan of indebtedness extended by a credit union which provides for periodic payments, often in substantially equal amounts, which may be adjusted from time to time if the insured increases the outstanding debt or repays the loan faster than required. Coverage of this plan of indebtedness is provided by standard policy forms ID numbers 18 through 22 in Article 6.9 of this Subchapter.

(f) "Earned premium" is computed as follows:

(1) Where premiums are collected on a single premium basis for the entire term of coverage:

Single premiums which became due the insurer during the experience period
– The unearned premium reserve* at the end of the experience period

+ The unearned premium reserve* at the end of the previous experience period

– Premium refunds or adjustments resulting from termination of coverage

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= Earned Premium (single premium basis)

* See subparagraph (4).

(2) Where premiums are payable monthly during the term of coverage:

Monthly premiums paid the insurer during the experience period

+ Monthly premiums due the insurer but unpaid at the end of the experience period
– Monthly premiums due the insurer but unpaid at the end of the previous experience period
– Unearned premium reserve* at the end of the experience period
+ Unearned premium reserve* at the end of the previous experience period
– Premium refunds or adjustments resulting from termination of coverage

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= Earned Premium (monthly basis)

* See subparagraph (5).

(3) Dividends, experience refunds or any other reductions of premium after issuance of coverage shall not be subtracted from earned premium nor included in benefits.

(4) The unearned premium reserve for single premium life plans equals the single premium for the amount and term of the remaining indebtedness. The unearned premium reserve for single premium disability plans is the single premium for the sum of the remaining loan payments for the remaining term of the loan.

(5) The unearned premium reserves for monthly premium life plans and disability plans

equal the unearned portions of the gross premiums in force. This depends on the distribution of due dates through the month. The calculation shall be made consistently from month to month. For example, the unearned premium reserve for monthly business can only be zero if all due dates are at the first of the month.

(g) "Incurred claims" are computed as follows:

	Claims paid during the experience period
+	Claim reserve at the end of the experience period
–	Claim reserve at the end of the preceding experience period
=	Incurred Claims

Where: "Claims" means benefits payable during the experience period because of death or disability without additions of any kind. A disability claim is deemed incurred on the date when disability commenced.

"Claim reserve" is the sum of the reserves for claim liability on disabled lives, claims incurred but not reported and claims due but unpaid. The Commissioner may disallow that part of any claim reserve which is unsupported by provable data.

(h) "Joint Disability" insures two persons jointly liable for an indebtedness on any plan. The full monthly benefit becomes payable on the disability of the first insured to become disabled.

(i) "Joint Life" insures two persons jointly liable for the indebtedness on any of the above plans. The full life insurance benefit is paid and coverage terminates on the death of the first insured. This coverage is represented by standard policy form text blocks PC 3 and PD 1 of § 2249.12 of this Chapter.

(j) "Level Life" provides a constant fixed benefit over the term of coverage. This coverage is provided by standard policy forms ID numbers 16 and 17 in Article 6.9 of this Subchapter.

(k) "Line of Credit" is any Open End plan of indebtedness that is not a "Credit Union Open End" plan or a "Credit Card" plan. It includes "lines of credit", variable interest rate loans and revolving accounts other than "credit cards".

(l) An "Open End" plan of indebtedness is one in which one or more of the following are variable at the creditor's or the debtor's option - the principal amount, the term of the indebtedness, the number of payments, the amount of each payment or the interest rate.

(m) "Scheduled Decreasing Life" (sometimes called "net balance life") provides a life insurance benefit which decreases in accordance with the scheduled decline in Closed End debt principal. This coverage is provided by standard policy forms ID numbers 11 through 14 and 25 through 28 in Article 6.9 of this Subchapter.

(n) "Premium" means the premium amount charged or the insurance charge made for the insurance actually provided

(o) "Prima facie rates" means the maximum rates which reasonably can be expected to provide the presumptive loss ratio referred to in Ins. C. § 779.36 and the relationship of benefits to premiums required by § 779.9.

(p) "Rate" means the amount charged per unit of insurance coverage.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.2, 779.4, 779.9, 779.30(f), 779.36, Insurance Code; Sections 18290, 18291, 22314, 22315, 22455, Financial Code; § 1747.02(a), Civil Code.

§2248.32. Presumptive Loss Ratios and Prima Facie Rates, Generally.

(a) The Presumptive Loss Ratios (PLRs) for credit life insurance coverage and for credit disability insurance coverage shall be those indicated below. For the purpose of Insurance Code § 779.9 it shall be presumed that benefits provided in a policy or certificate are not reasonable in relation to the premium charge if the claims incurred thereunder cannot be reasonably expected to equal the PLR below of the premiums earned separately thereunder for credit life insurance or for credit disability insurance.

The PLRs are shown in the table below:

Credit Life Insurance	Class	Single life	Joint Life
Closed End	A-E	54.47%	54.24%
Open End Line of Credit	A,B,D,E	54.71%	53.31%
Credit Card	A,B,D,E	54.71%	53.31%
Credit Union Open End	C	54.60%	54.35%
Credit Union Credit Card	C	54.60%	54.35%
Credit disability Insurance	A	58.73%	73.41%
	B	56.34%	70.43%
	C	59.13%	73.91%
	D	59.64%	74.58%
	E	54.91%	68.64%

Note the PLR can be expressed as 56.34% or .5634 when used in a formula.

(b) The prima facie rates set forth in these regulations:

(1) Assume that identical coverage (including maximum amounts and terms of coverage) is offered or provided to all debtors of age 65 or less and Open-end coverages typically terminate at age 65;

(2) Assume that coverages are subject to the limitations and eligibility standards established for standard policy forms in Article 6.9 of this Subchapter.

(c) Rates computed as set forth in these regulations may be rounded to the nearest cent.

(d) The Commissioner waives the filing under Insurance Code § 779.8 of premium rate schedules conforming to the rates set forth in these regulations when such schedules are used with the standard policy and certificate forms set forth in Article 6.9.

NOTE Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.8, 779.9, 779.13 and 779.16, Insurance Code; Sections 18290, 22458.1 and 24458.1, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal.3d 651.

§2248.33. Classes of Business.

"Class of Business" means credit insurance providing coverage within one of the following groupings:

Class A. Industrial Banks - credit insurance subject to Financial Code §§ 18290 -18292; California Finance Lenders – credit insurance subject to Financial Code §§ 22314 and 22315. ("Regulated loans.")

Class B. All business not otherwise classified.

Class C. Credit unions, subdivided by occupation group. Where the members of a credit union are classifiable in more than one occupation group, the credit union will be classified according to the grouping applicable to at least 60% of its members. Where this is not possible, the credit union shall be assigned to Occupation Group II.

Occupation Group I - Office Workers and Professionals. This group includes, but is not limited to, credit unions comprised of office workers and professionals employed by, or members of:

(1) Churches or religious organizations;

(2) Cooperatives;

(3) Communications industry including radio, television and telephone;

(4) Educational institutions, associations or services;

(5) Financial institutions, associations or services;

(6) Fraternal and civic groups;

(7) Government office workers (federal, state and local) excluding those related to police, fire protection, military service or postal service;

(8) Legal services;

(9) Medical institutions, associations or services;

(10) Labor unions associated with the respective occupation group served.

Occupation Group II - Light Industry, Security Services, Postal Workers. This group includes, but is not limited to, credit unions comprised of skilled and semi-skilled workers and professionals employed by, or members of:

(1) Agriculture and forestry industries;

(2) Airlines which are regularly scheduled;

(3) Apparel and garment industry;

(4) Appliance manufacturing industry;

(5) Chemical and drug industry;

(6) Construction industry (excluding unskilled laborers);

(7) Entertainment and recreation industries;

(8) Fire protection organizations;

(9) Food processing industries including meat packing, dairy, canning, beverage and grain;

(10) Government employees with inspection duties;

(11) Military and police services;

(12) Postal workers;

(13) Printing industry;

(14) Repair and maintenance industries;

(15) Tobacco industry;

(16) Labor unions associated with the respective occupation group served.

Occupation Group III - Heavy Industry and Transportation. This group includes all credit unions whose membership includes unskilled laborers or which include employees of, or members of:

(1) Automobile, truck, farm implement and equipment manufacturing industries;

(2) Leather and furniture products industry;

(3) Lumber and paper mill industry;

(4) Machinery manufacturing industry;

(5) Metal products, primary or fabricated, industry including foundries, container manufacturers, casting and drop forges, etc.;

(6) Mining industry;

(7) Ordnance industry;

(8) Petroleum, rubber and plastic products industries;

(9) Stone, clay and gypsum products industries;

(10) Transportation including nonscheduled airlines, bus, longshoreman, ocean and inland waterways, railways, urban transit, teamsters but excluding regularly scheduled airlines;

(11) Labor unions affiliated with respective occupation group served.

Class D. Finance companies - installment sales finance; Industrial Banks and California Finance Lenders - loans other than Class A or Class E.

Class E. Banks and savings and loan associations - home improvement loans, other loans secured by real estate, and mobile home loans; mobile home dealers; home improvement contractors and dealers (including swimming pool dealers); Industrial Banks and California Finance Lenders - loans secured by real estate; land development companies - loans secured by real estate; mortgage loan companies specializing in second trust deeds.

Class F. Banks and production credit associations - agricultural and horticultural loans.

NOTE: Authority cited: Sections 779.21, 779.36, Insurance Code. Reference: Sections 779.4, 779.9, 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, and 22455, Financial Code; and Credit Insurance General Agents Association v. Payne (1976) 16 Cal. 3d 651.

§2248.34. Prima Facie Premium Computation for Life Coverages.

(a) Prima facie premiums for Closed End life coverages (“Scheduled Decreasing Life”, “Class A Decreasing Life” and “Level Life”) are computed as follows:

(1) Single premium single life:

$$\text{Single Premium} = MP \sum_{t=1}^{n} \frac{Ins^t / 1000}{(1 + .042 / 12)^{t-1}}$$

Where: n = number of months of coverage

t varies from 1 to n

(This formula calculates the present value of monthly premiums for each month of the term of the loan. The present values are then accumulated to determine the single premium.)

(2) Monthly premium single life:

$$\text{Monthly Premium} = MP \times \frac{Ins^t}{1000}$$

Where: MP is the Closed End Monthly Premium per $1000 of scheduled outstanding balance of the indebtedness from TABLE 1 in §2248.47.

Ins^t is the lesser of the scheduled principal balance of the debt outstanding for month "t" (not including delinquencies or unearned finance charges) or the amount of insurance for month t (for partial coverage).

(b) Prima facie monthly premiums for Open End life coverages ("Credit Union Open End", "Line of Credit" and "Credit Card") are computed as follows:

$$\text{Monthly Premium} = MP \times \frac{Ins^t}{1000}$$

Where: MP is the Open End Monthly Premium per $1000 of scheduled outstanding balance of the indebtedness from TABLE 1 in §2248.47.

Ins^t the scheduled principal balance of the debt outstanding for month "t" (not including delinquencies or unearned finance charges) or the amount of insurance for month t provided for in the policy or certificate, if less.

The balance to which the rate is applied may be computed on the same basis as that used to compute interest charges on the debt.

(c) Rates for "Joint Life" coverages are computed by applying the Joint Life Multiplier in TABLE 1 to the appropriate Monthly premium.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.4, 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22458.1, 22458.2 and 24458.1, Financial Code; and, Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.35. Prima Facie Premium Computation for Disability Coverages.

(a) Single and monthly premiums for single disability coverage of Closed End loans, where coverage extends for a period measured from the inception of coverage, are computed as follows:

$$\text{Single Premium} = \frac{\text{SP (for the term of coverage) x (Total of covered disability benefit payments)}}{\$1000}$$

$$\text{Monthly Premium for Month "t"} = \frac{\text{MP (for the initial term of coverage) x (Scheduled total of covered disability benefit payments remaining on Month "t")}}{\$1000}$$

Where SP and MP are taken from the lettered Subtable, corresponding to the Class of Business, of TABLE 2 in § 2248.47.

(b) Prima facie monthly premiums for single Open End disability coverages ("Credit Union Open End", "Line of Credit" and "Credit Card") are computed as follows:

$$\text{Monthly Premium} = \text{MP X } \frac{Ins^t}{1000}$$

Where: MP is the Open End Monthly Premium per $1000 of outstanding principal balance (not including unearned finance charges) from TABLE 3 in the APPENDIX.

Ins^t is the outstanding principal balance of the debt outstanding for month "t" (not including unearned finance charges) or the amount for month t provided for in the policy or certificate, if less.

The balance to which the rate is applied may be computed on the same basis as that used to compute interest charges on the debt.

(c) Prima facie premium rates for "Critical Period Disability" coverage, as provided for in Article 6.7, shall be actuarially equivalent to the prima facie disability rates for the corresponding coverage under subsections (a) and (b) and shall be approved by the Commissioner pursuant to § 2248.43.

(d) Prima facie rates for "Joint Disability" coverages are computed by multiplying the appropriate single disability rates by 1.6.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22458.1, 22458.2, 24458.1 and 24458.2, Financial Code; and, Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.36. Agricultural and Horticultural Loans.

(a) Rates for coverage on agricultural and horticultural loan commitments as defined in Ins. C. § 10203.35 shall be deemed not reasonable in relation to the benefits provided if they fail to attain the presumptive loss ratios established by §2248.32(a) based upon experience developed in the preceding 3 years. Such experience may be adjusted for credibility using the Credibility Table in §2248.40 (b). Such rates shall be filed with the Commissioner annually, along with loss experience for the preceding three years, regardless of whether such rates have been adjusted for the year of filing.

(b) Section 2248.32, except for Subsection (a), and §§2248.34, 2248.35, 2248.37 and

2248.39 through 2248.42 do not apply to insurance covering agricultural and horticultural loan commitments as defined in Ins. C. § 10203.55.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16, 10203.5 and 10203.55, Insurance Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal.3d 651.

§2248.37. Rates By Age.

Age-banded rates may be used upon the Commissioner's approval. The Commissioner shall not approve such rates unless:

(a) They are actuarially equivalent to the prima facie rates established by this Article based upon demonstrated mortality or morbidity rates for each age band and the margins for insurer expenses and profit assumed in the prima facie rates;

(b) They would produce an aggregate premium which would not substantially exceed that which would be produced by the prima facie rates, assuming a normal distribution of debtors by age within the experience group for the Class of Business.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22458.1, 22458.2. 24458.1, 24458.2, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal.3d 651.

§2248.38. Life and Disability Premium Refunds.

(a) Refunds of single premiums pursuant to Insurance Code § 779.14 shall not be less than amounts calculated as follows:

(1) For life insurance, the single premium for the scheduled remaining insured amount and term of coverage.

(2) For disability insurance:

Refund = Original Single Premium X (t/n)(SPt/SPn) - $10

Where:

t = the remaining term in months

n = the original term in months

SPt = the single premium per $1000 remaining insured amount

SPn = the original single premium per $1000 initial insured amount

(3) Refunds of less than $5.00 per policy or certificate need not be made. If insurance has terminated due to refinancing of the covered indebtedness and new credit insurance is provided by the same insurer on the refinanced indebtedness, the entire refund amount, including the minimum refund provided for herein and the $10 retention provided for in paragraph (2) (if the terminated indebtedness was insured for disability), shall be applied toward the premium for the new credit insurance.

(b) No refund of monthly life or disability premiums is required. Any monthly premium collected on a billing date after the effective date of termination of coverage shall be refunded without any reduction whatsoever.

(c) Single disability premiums shall be refunded as provided in this section when coverage terminates due to death.

(d) For purposes of this Section, partial months of coverage shall be computed on a daily prorata basis. Alternatively, a partial month of coverage of 15 days or less shall be ignored; a partial month of coverage exceeding 15 days shall be counted as a whole month. Insurers shall use the same method of computing partial months of coverage for all debtors of a given creditor covered by the same plan of benefits.

(e) This Section does not supersede any other statute or regulation which would require a greater refund.

(f) The Commissioner hereby waives the filing, under Insurance Code § 779.14, of refund formulas which are the same as those set forth in this Section.

NOTE Authority cited: Section 779.21, Insurance Code. Reference: Section 779.14, Insurance Code.

§2248.39. Test for Deviated Rates.

(a) An insurer shall use life insurance rates and disability insurance rates lower than the prima facie rates for an experience group if the credibility adjusted loss ratio for that group is equal to or less than the Presumptive Loss Ratio (PLR) less .05.

(b) An insurer may use life insurance rates and disability insurance rates higher than the prima facie rates for an experience group when the credibility adjusted loss ratio for that group equals or exceeds PLR + .05.

(c) For the purpose of applying this Section to life insurance and disability insurance, credibility adjusted loss ratios shall be computed according to §2248.40(c) for the most recent experience period, based upon the applicable prima facie rates for the experience group.

(d) Rates which are lower or higher than the prima facie rates shall not exceed the new case rates for the experience group computed according to § 2248.40 and shall be administered pursuant to §2248.41 or § 2248.42, respectively. Rates shall be calculated and applied separately for life and for disability.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, 22455, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.40. Calculation of the New Case Rate.

(a) As used in §§ 2248.39 through 2248.42:

(1) "Experience group" means the experience under a plan of insurance of one creditor or more than one creditor. For the purpose of defining and using experience group, the following are the separate plans of insurance: Class, life/disability, single life/joint life, open end/closed end, single premium/monthly premium and in addition for disability elimination period, retroactive/nonretroactive. The insurance plans of each creditor in a multiple creditor group must provide reasonably similar life and disability coverage of the same type (from § 2248.31) and be in the same Class of Business (from § 2248.33).

For purposes of determining deviated rates, the Commissioner may allow a combination of experience groups for single life/joint life for life and disability insurance, and elimination period, retroactive/nonretroactive for disability insurance to maintain an appropriate relationship between rates, where such combination is justified by the carrier to the satisfaction of the Commissioner.

If an experience group has experience in more than this State, an insurer may use only the experience of the experience group in the State to rate the group or, with the approval of the Commissioner, an insurer may use the multi-State experience of the experience group for this purpose if it is more credible than the California experience and is generated by the same or similar plans of insurance and is adjusted to account for differences in premium rates.

Insurers using multiple-creditor groups for the purpose of determining downward or upward deviated rates shall establish written standards for the inclusion of individual creditor-groups within such multiple creditor groups. Such standards shall be applied uniformly regardless of the type of deviation contemplated.

(2) "Experience period" means the most recent period of time for which experience is reported, but not for a period longer than three full years. An experience period shall end on December 31st of each calendar year.

(A) If an experience group develops a Credibility Factor of 1 from TABLE 4 ("Rate Deviation Credibility Table" in § 2248.47) in less than three years, the experience period for that case will be the number of full years needed to attain that Credibility Factor.

(B) An insurer may elect a level of credibility within the range of TABLE 4 for an experience group. If an experience group develops the minimum credibility elected by the insurer in less than three years, the experience period for that group may be, at the option of the insurer, either the number of full years needed to develop the elected minimum credibility or three full years. If an experience group fails to attain such minimum credibility within three full years, the credibility actually attained in that period shall be used for determining downward deviated rates. Experience incurred in the period immediately preceding the effective date of this regulation may be used to the extent necessary to fill out the experience period.

(C) If a new experience group of an insurer has experience in this State with a prior insurer, the new insurer must use the most recent experience of the experience group with the prior insurer to the extent necessary to fill out an experience period. Other data or projections may be used if the Commissioner finds them to be more credible.

(3) "Incurred Claim Count", as used in TABLE 4, means the number of claims incurred for the experience group during the experience period. This means the total number of claims reported during the experience period, whether paid or in the process of payment plus any incurred but not reported (IBNR) at the end of the experience period less the number of claims incurred but not reported at the beginning of the experience period. If a debtor has been issued more than one policy or certificate for the same plan of insurance, only one claim is counted. If a debtor receives disability benefits, only the initial claim payment for that period of disability is counted.

(4) "Average Number of Life years", as used in TABLE 4, means the average number of group certificates or individual policies in force during the experience period (without regard to multiple coverage) times the number of years in the experience period, or some equivalent calculation.

(b) Find the Credibility Factor ("Z") from TABLE 4 for the experience group. For life insurance and for disability insurance, where actual loss ratios are less than 45%, use the Average Number of Life years; otherwise, use either the Average Number of Life Years or the Incurred Claims Count. If either of these measures cannot be directly determined, the Commissioner may accept reasonable approximations of them.

(c) For life insurance and for disability insurance, calculate the credibility adjusted loss ratio("CLR") for the experience group using the following formula, where ALR is the actual loss ratio for the experience group on the prima facie rate basis.

$$CLR = Z(ALR) + PLR(1-Z)$$

Calculate the new case rate ("NCR") for the experience group according to the formulas below, where PFR is the prima facie rate for the experience group.

(A) Where CLR is equal to PLR less .05, the downward deviated rate may not exceed the new case rate("NCR") calculated as:

$$NCR = PFR\ [1 - (PLR-CLR)]$$

(B) Where CLR exceeds PLR + .05, the upward deviated rate may not exceed the new case rate ("NCR") calculated as:

$$NCR = PFR\ [1 + 1.2(CLR-PLR)]$$

(d) Calculations for new case rates or deviated rates under Class A shall use two adjustments, before and after applying the formulas. First, adjust the earned premiums by deducting 10 cents per 1000. Apply the formulas and then add back 10 cents per 1000 to obtain the final new case or deviated rate.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, 22455, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.41. Application of Downward Deviated Rates.

(a) For life insurance and disability insurance, an insurer shall submit, for the Commissioner's approval, proposed downward deviated rates for an experience group subject to § 2248.39(a) within 180 days after the end of an experience period during which the credibility adjusted loss ratio for the group was equal to or less than PLR less .05.

(b) Credibility adjusted loss ratios using prima facie rates and new case rates shall be redetermined on each anniversary of the effective date of downward deviated rates for an experience group.

(1) For life insurance and disability insurance, if the credibility adjusted loss ratio for the experience group as of the time of redetermination equals at least PLR - .05, the insurer may submit, for the Commissioner's approval, a proposal for termination of downward deviated rates for the experience group.

(2) If the rates in effect as of such redetermination exceed by 10% or more the new case rates, then the insurer shall submit for the Commissioner's approval, proposed reduced rates which shall not exceed the new case rates. This submission shall be made within 180 days of the date as of which the new case rates were determined.

(3) If the new case rates exceed the rates in effect as of such redetermination, then the insurer may submit, for the Commissioner's approval, increased rates not to exceed the new case rates.

(c) The Commissioner shall disapprove submissions of proposed reduced rates pursuant to subsections (a) and (b)(2) if it is not demonstrated to him or her that they have been determined in accordance with applicable statutes and regulations. The Commissioner may approve modifications of downward deviated rates computed in accordance with §§ 2248.40 if it is demonstrated to his satisfaction that the rates so computed provide inadequate allowances for expenses, reserves or profits or are inconsistent with other reasonable actuarial considerations.

Approved downward deviated rates shall become effective for the experience group within 60 days of the Commissioner's approval. The Commissioner may approve a later effective date if it is demonstrated to him or her that the approved rates cannot reasonably be implemented within 60 days of his approval.

(d) The Commissioner may disapprove proposed increased deviated rates if it is not demonstrated to him or her that they have been determined in accordance with applicable statutes and regulations. The Commissioner may disapprove the termination of downward deviated rates for an experience group if it is not demonstrated to him or her that the credibility-adjusted loss ratio was calculated in accordance with applicable statutes or regulations. Increased downward deviated rates or the termination of downward deviated rates may become effective at any time after the Commissioner's approval or upon the 120th day following the submission of such proposals if they have not been disapproved by that day.

(e) An insurer assuming the business of some or all of the creditors comprising an experience group subject to downward deviated rates shall not use rates exceeding such deviated rates except as provided in subsection (b), above.

(f) An insurer may transfer a creditor from an experience group subject to downward deviated rates to another experience group only if transfer would not result in a higher rate for the remainder of the former group.

(g) Calculations for new case rates or deviated rates under Class A shall use two adjustments, before and after applying the formulas. First, adjust the earned premiums by deducting 10 cents per 1000. Apply the formulas and then add back 10 cents per 1000 to obtain the final new case or deviated rate.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, 22455, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.42. Approval and Use of Upward Deviated Rates.

(a) For life insurance and disability insurance, an insurer may submit, for the Commissioner's approval, proposed upward deviated rates for an experience group subject to § 2248.39(b) after the end of an experience period during which the credibility adjusted loss ratio for the group equaled or exceeded PLR + .05.

(b) Credibility adjusted loss ratios using prima facie rates and new case rates for an experience group subject to upward deviated rates shall be redetermined as of each anniversary of the effective date of such rates for the group.

(1) For life insurance and disability insurance, if the credibility adjusted loss ratio for the experience group as of the time of redetermination does not attain at least PLR + .05, then the insurer shall terminate such upward deviated rates within 180 days of the end of the experience period during which the credibility adjusted loss ratio failed to attain PLR + .05. Insurers shall notify the Commissioner of the termination of upward deviated rates.

(2) If the rates in effect as of such redetermination exceed by 10% or more the new case

rates, then the insurer shall submit, for the Commissioner's approval, proposed reduced rates which shall not exceed the new case rates. This submission shall be made within 180 days of the date as of which the new case rates were determined.

(3) If the new case rates exceed the rates in effect as of such redetermination by 10% or more, then the insurer may submit, for the Commissioner's approval, increased rates not to exceed the new case rates.

(c) The Commissioner shall disapprove submissions of proposed reduced rates pursuant to subsection (b)(2) if it is not demonstrated to him or her that they have been determined in accordance with applicable statutes and regulations.

Approved reduced rates shall become effective for the experience group within 60 days of the Commissioner's approval. The Commissioner may approve a later effective date if it is demonstrated to him or her that the approved rates cannot reasonably be implemented within 60 days of his approval.

(d) The Commissioner may disapprove proposed deviated rates if it is not demonstrated to him or her that they have been determined in accordance with applicable statutes and regulations. Upward deviated rates may become effective at any time after the Commissioner's approval or upon the 120th day following the submission of such proposals if they have not been disapproved by that day.

(e) Upward deviated rates may continue to be used where an entire experience group has transferred to a new insurer only until the next annual redetermination.

(f) No insurer shall transfer a creditor group it already insures to an experience group subject to upward deviated rates. An insurer may assign a newly insured creditor group subject to an upward deviated rate under its prior insurer into an experience group subject to upward deviated rates only if the assignment would not result in a higher rate for the newly-insured creditor group or the existing experience group.

(g) This Section shall not preclude the Commissioner from otherwise considering proposals for rates in excess of the prima facie rates for specific creditors, creditor groups or products if it is demonstrated to him or her that the prima facie rates provide inadequate allowances for claim costs, expenses, reserves or profits or are inconsistent with other reasonable actuarial considerations given the circumstances of their particular application.

(h) Calculations for new case rates or deviated rates under Class A shall use two adjustments, before and after applying the formulas. First, adjust the earned premiums by deducting 10 cents per 1000. Apply the formulas and then add back 10 cents per 1000 to obtain the final new case or deviated rate.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, 22455, Financial Code; and <u>Credit Insurance General Agents Association v. Payne</u>, (1976) 16 Cal. 3d 651.

§2248.43. Reduced and Actuarially Equivalent Rates and Refund Formulas.

(a) Rates lower than the prima facie or downward deviated rates established by this Article shall be filed with the Commissioner no later than 30 days after their implementation.

(b) Rates which are actuarially equivalent to the prima facie or deviated rates established or allowed by this Article may be used upon the Commissioner's approval.

(c) Rates for coverage which do not qualify for the use of prima facie rates pursuant to §2248.32 (b) shall not exceed the actuarial equivalents of the prima facie rates established by this Article, and shall be approved by the Commissioner before their use. Such rates shall be subject to §§2248.37 through 2248.42.

(d) Refund formulas which are actuarially equivalent to, or more favorable to the insured than, the formulas established by this Article may be used upon the Commissioner's approval.

(e) The Commissioner may publish, by Bulletin, rates or refund formulas which he deems to be actuarially equivalent to the prima facie rates. Such rates and formulas may be used without filing with or approved by the Commissioner, but their use must be indicated on the annual experience report forms.

NOTES: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22458.1, 22458.2, 24458.1 and 24458.2, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.44. Annual Experience Reports.

(a) Each insurer subject to this Article shall file an annual report of its credit life and disability experience statistics with the Commissioner. Such report shall be filed no later than May 1 of the year following the calendar year reported. Each type of insurance as defined in this Article shall be reported separately on Credit Life and Disability Insurance Experience Report Forms prescribed by the Commissioner. Experience reports for insurance plans not defined in this Article shall include brief descriptions of the coverages provided. The Commissioner reserves the right to require that reports be filed in electronic media form. Each insurer shall maintain experience data on an annual basis for its business subject to this Article or to Article 6.7 of this Subchapter prior to the effective date of this Article, for at least five years.

(b) Experience statistics generated under conditions different from those assumed in §2248.32(b), including eligibility and termination ages different than those assumed in Article 6.9, shall be reported separately.

(c) Credit insurance experience generated by business issued before the effective date of this Article shall be maintained and reported separately from experience generated under this Article.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: Sections 779.9, 779.13, 779.16 and 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22458.1, 22458.2, 24458.1 and 24458.2, Financial Code; and Credit Insurance General Agents Association v. Payne, (1976) 16 Cal. 3d 651.

§2248.45. Effective Date.

(a) This Article, effective October 1, 2001 governs the premiums charged (including refunds made for early terminations) for all individual credit insurance policies and group credit insurance certificates with effective dates on or after October 1, 2001, and the premiums charged after such date under previously issued credit insurance policies or certificates covering Open End plans of indebtedness.

(b) Prior to January 1, 2002, insurers shall not be deemed to be in violation of this Article if they are in compliance with this Article as it existed on December 31, 2000.

(c) Approved upward deviated rates in effect on September 30, 2001 shall be redetermined and refiled for approval pursuant to Section 2248.42 or be reduced on January 1, 2002 to the prima facie rates herein. The calculation of loss ratio for the refiling shall use earned premium based on the prima facie rates herein.

NOTE: Authority cited: Sections 779.21 and 779.36, Insurance Code. Reference: §§ 779.9, 779.13, 779.16, 779.36, Insurance Code; Sections 18191, 18290 – 18292, 22314, 22315, 22455, Financial Code; and Credit Insurance General Agents Association v. Payne (1976) 16 Cal. 3d 651.

§2248.46. Severability.

If any provision of this Article or its application to any person or circumstance is held invalid for any reason, the rest of this Article and the application of such provision to any other person or circumstances shall not be affected.

NOTE: Authority cited: Section 779.21, Insurance Code. Reference: Section 779.36, Insurance Code.

§2248.47. Tables.

The rates set forth below in TABLES 1, 2 and 3 are deemed to provide, on a prima facie basis, the loss ratios established by §2248.32(a). The formulas used to derive the rates in TABLES 2 and 3 are available from the Commissioner. Disability premiums computed in accordance with such formulas for terms of insurance not specified in TABLE 2 shall be deemed to be in compliance with this Article even though they may differ from those computed by interpolation.

TABLE 1

PRIMA FACIE MAXIMUM LIFE INSURANCE RATES (per $1000 of insured amount per month)

CLOSED END	CLASS(ES)	RATE	JOINT MULTIPLIER
Class A Decreasing and Level	A	$0.61	1.6230
Scheduled Decreasing and Level	B – E	$0.51	1.7451
OPEN END			
Line of Credit	A,B,D,E	$0.87	1.5517
Credit Card	A,B,D,E	$0.87	1.5517
Credit Union Open End	C	$0.68	1.7059
Credit Union Credit Card	C	$0.68	1.7059

TABLE 2

PRIMA FACIE DISABILITY RATES FOR CLOSED END LOANS

Sub Table A *(Unsecured loans <$10,000 from “regulated lenders”)*

SP (Single premium per $1000 of Initial Insured Amount)				Term in Months*	MP (Premium per $1000 of Scheduled Remaining Payments)			
Non-retroactive		Retroactive			Non-retroactive		Retroactive	
14 Day	30 Day	14 Day	30 Day		14 Day	30 Day	14 Day	30 Day
2.49		3.00		1	2.49		3.00	
	1.86		2.52	2		1.24		1.68
16.01	7.97	18.29	10.80	12	2.49	1.24	3.00	1.68
23.46	13.07	27.00	17.11	24	1.92	1.07	2.21	1.40
29.84	17.51	33.06	21.44	36	1.67	.98	1.85	1.20
35.32	21.29	39.30	25.26	48	1.51	.91	1.68	1.08
39.2	24.46	44.32	28.49	60	1.38	.85	1.54	.99
43.58	267.24	48.35	31.32	72	1.28	.80	1.42	.92
46.63	29.78	52.12	33.70	84	1.19	.76	1.33	.86
49.52	32.28	55.27	36.25	96	1.12	.73	1.25	.82
52.07	33.89	57.96	38.31	108	1.06	.69	1.18	.78
54.45	36.12	60.38	39.90	120	1.01	.67	1.12	.74

*Interpolate linearly for rates for durations not listed.

Sub Table B

SP (Single premium per $1000 of Initial Insured Amount)				Term in Months*	MP (Premium per $1000 of Scheduled Remaining Payments)			
Non-retroactive		Retroactive			Non-retroactive		Retroactive	
14 Day	30 Day	14 Day	30 Day		14 Day	30 Day	14 Day	30 Day
2.05		2.48		1	2.05		2.48	
	2.25		3.43	2		1.50		2.29
13.18	9.64	15.94	14.72	12	2.05	1.50	2.48	2.29
19.55	15.76	22.60	20.65	24	1.60	1.29	1.85	1.69
25.02	21.09	28.24	25.91	36	1.40	1.18	1.58	1.45
29.71	25.73	33.21	30.41	48	1.27	1.10	1.42	1.30
33.67	29.64	37.42	34.54	60	1.17	1.03	1.30	1.20
36.77	33.03	41.20	37.79	72	1.08	.97	1.21	1.11
39.58	36.05	44.28	40.76	84	1.01	.92	1.13	1.04
42.00	38.46	46.87	43.77	96	.95	.87	1.06	.99
44.70	40.77	49.61	46.17	108	.91	.83	1.01	.94
46.37	43.13	51.76	48.52	120	.86	.80	.96	.90

*Interpolate linearly for rates for durations not listed.

SUB TABLE C (Group I)†

SP (Single premium per $1000 of Initial Insured Amount)				Term in Months*	MP (Premium per $1000 of Scheduled Remaining Payments)			
Non-retroactive		Retroactive			Non-retroactive		Retroactive	
14 Day	30 Day	14 Day	30 Day		14 Day	30 Day	14 Day	30 Day
3.42		5.19		1	3.42		5.19	
	2.54		6.89	2		2.54		4.60
21.99	16.33	33.37	29.57	12	3.42	2.54	5.19	4.60
32.62	26.76	47.04	41.54	24	2.67	2.19	3.85	3.40
41.64	35.74	58.97	52.18	36	2.33	2.00	3.30	2.92
49.59	43.51	69.00	61.52	48	2.12	1.86	2.95	2.63
56.12	50.08	78.00	69.65	60	1.95	1.74	2.71	2.42
61.62	56.18	85.80	76.94	72	1.81	1.65	2.52	2.26
66.23	61.13	92.49	83.08	84	1.69	1.56	2.36	2.12
70.30	65.88	98.15	88.87	96	1.59	1.49	2.22	2.01
74.17	69.26	103.64	93.82	108	1.51	1.41	2.11	1.91
77.10	73.32	107.83	98.12	120	1.43	1.36	2.00	1.82

† For Group II, multiply Group I rates by 1.1

For Group III, multiply Group I rates by 1.3

*Interpolate linearly for rates for durations not listed.

SUB TABLE D

SP (Single premium per $1000 of Initial Insured Amount)				Term in Months*	MP (Premium per $1000 of Scheduled Remaining Payments)			
Non-retroactive		Retroactive			Non-retroactive		Retroactive	
14 Day	30 Day	14 Day	30 Day		14 Day	30 Day	14 Day	30 Day
2.55		4.21		1	2.56		4.21	
	2.46		4.59	2		1.64		3.06
16.46	10.54	27.07	19.67	12	2.56	1.64	4.21	3.06
24.44	17.35	38.00	27.49	24	2.00	1.42	3.11	2.25
31.10	23.05	47.36	34.67	36	1.74	1.29	2.65	1.94
36.96	28.30	55.67	40.70	48	1.58	1.21	2.38	1.74
41.73	32.52	62.74	46.34	60	1.45	1.13	2.18	1.61
45.96	36.09	68.77	50.73	72	1.35	1.06	2.02	1.49
49.38	39.58	74.07	54.86	84	1.26	1.01	1.89	1.40
52.61	42.44	78.70	58.36	96	1.19	.96	1.78	1.32
55.51	44.70	82.52	61.40	108	1.13	.91	1.68	1.25
57.69	47.44	86.26	64.70	120	1.07	.88	1.60	1.20

*Interpolate linearly for rates for durations not listed.

Sub Table E

SP (Single premium per $1000 of Initial Insured Amount)				Term in Months*	MP (Premium per $1000 of Scheduled Remaining Payments)			
Non-retroactive		Retroactive			Non-retroactive		Retroactive	
14 Day	30 Day	14 Day	30 Day		14 Day	30 Day	14 Day	30 Day
1.81		2.56		1	1.81		2.56	
	1.80		3.01	2		1.20		2.01
11.64	7.72	16.46	12.92	12	1.81	1.20	2.56	2.01
17.23	12.58	23.09	18.21	24	1.41	1.03	1.89	1.49
21.98	16.80	28.77	22.70	36	1.23	.94	1.61	1.27
26.20	20.58	33.92	25.26	48	1.12	.88	1.45	1.08
29.64	23.89	38.28	30.22	60	1.03	.83	1.33	1.05
32.68	26.56	41.88	33.37	72	.96	.78	1.23	.98
34.88	29.00	45.07	36.05	84	.89	.74	1.15	.92
37.14	30.95	47.75	38.46	96	.84	.70	1.08	.87
39.30	32.91	50.10	40.77	108	.80	.67	1.02	.83
40.97	34.50	52.30	42.59	120	.76	.64	.97	.79

*Interpolate linearly for rates for durations not listed.

TABLE 3

PRIMA FACIE DISABILITY RATES FOR OPEN END LOANS, ALL CLASSES

Type of Coverage	Class of Business	MP (Premium per $1000 of Outstanding Principal Balance)			
		Non-retroactive		Retroactive	
		14 Day	30 Day	14 Day	30 Day
Credit Union Open End, Group I Group II = 1.1 X (Group I) Group III = 1.3 X (Group I)	C	2.68	2.30	3.80	3.35
Line of Credit	A	1.92	1.13	2.12	1.38
	B	1.61	1.36	1.82	1.66
	C	2.68	2.30	3.80	3.35
	D	2.00	1.48	3.05	2.23
	E	1.42	1.08	1.86	1.46
Credit Card	A	1.92	1.13	2.12	1.38
	B	1.61	1.36	1.82	1.66
	C	2.68	2.30	3.80	3.35
	D	2.00	1.48	3.05	2.23
	E	1.42	1.08	1.86	1.46

<u>TABLE 4</u>

RATE DEVIATION CREDIBILITY TABLE

Average Number of Life Years			Incurred Claim Count	Credibility Factor ("Z")
Life	Disability (all plans)			
	14 Day	30 Day		
1	1	1	1	.00
1800	141	209	9	.25
2400	188	279	12	.30
3000	234	349	15	.35
4600	359	535	23	.45
5600	438	651	28	.50
6600	516	767	33	.55
7600	594	884	38	.60
9600	750	1116	48	.65
11600	906	1349	58	.70
14600	1141	1698	73	.75
17600	1375	2047	88	.80
20600	1609	2395	103	.85
25600	2000	2977	128	.90
30600	2391	3558	153	.95
40000	3125	4651	200	1.00

The above integers represent the lower end of the bracket for each "Z" factor. The upper end is 1 less than the lower end for the next higher "Z" factor.

NOTE: Authority cited: Sections 779.21, 779.36, Insurance Code. Reference: Sections 779.9, 779.36, Insurance Code; Sections 18191, 18290 - 18292, 22314, 22315, 22455, Financial Code; and <u>Credit Insurance General Agents Association v. Payne</u> (1976) 16 Cal. 3d 651.